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ABSTRACT

In June 1992, the firm of Towers Perrin/Cresap released its management study of the Baltimore (Maryland) City Schools and offered numerous recommendations to restructure the school system. The Maryland General Assembly accepted most of this report and directed the State Department of Education to monitor implementation of the recommendations. In January 1995, an independent consulting firm found that the Baltimore County Public Schools had not fully implemented most of the Cresap recommendations. A number of lawsuits have been filed concerning the provision of an adequate education for the children of Baltimore. In 1995 the city actually sued the state, claiming that it had failed to provide a thorough and efficient education as required by the Maryland constitution. The state countered that the problems resulted from poor management by the city school system. After extensive negotiation the Maryland State Department of Education, the Baltimore City Public Schools, and other parties in the litigation reached a settlement that infused more funds into the city's schools while giving the state more control in running the city's schools. If the Maryland General Assembly does not approve the funding by May 1997, the agreement will be voided and the state must go to trial. If the funding is approved and modified, all parties may challenge the changes. (Contains three tables.) (SLD)

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Restructuring the Baltimore City Public Schools

Over the past several years the Baltimore City Public School system has been embroiled in controversy over the lack of student achievement. Consequently, management studies were conducted to aid the restructuring of the school system to improve student performance. However, indicators such as attendance and graduation rates and standardized test scores have continued to decline in many of the city's public schools. After several months at an impasse, city and state officials have agreed to a management and financial arrangement to help the ailing school system. This research note provides an overview of the management of Baltimore City Public Schools, the state-city management agreement, and what other states have done to help failing school systems.

Background

During the 1991-92 school year Baltimore City Public School (BCPS) system was the subject of an independent management study by the consulting firm of Towers Perrin/Cresap. The study was sponsored by the Association of Black Charities in consultation and with the cooperation of the Baltimore City Board of School Commissioners. The objective was to develop recommendations that, when implemented, would result in a measurable improvement in the educational achievement of Baltimore City school children.

In June 1992 Towers, Perrin/Cresap issued its final report, raising serious issues about the management of the BCPS and offering numerous recommendations and strategies to restructure the management system into a network of enterprise schools. Shortly thereafter, Superintendent Walter Amprey endorsed all but six of the 101 Cresap recommendations and appointed a 20-member implementation team and an enterprise school group to carry out the recommendations. By January 1994 Superintendent Amprey rejected four additional Cresap recommendations, for a total of 10 recommendations rejected.

For the past several years the General Assembly has taken action supporting the implementation of systemic reforms to improve student performance. In January 1995 a follow-up study by the consulting firm MGT of America, Inc. concluded that the BCPS had not fully implemented several of the Cresap recommendations. In the 1996 Session the General Assembly approved budget bill language withholding $5.9 million in Baltimore City school aid for administration until the Cresap recommendations were implemented. The Governor vetoed this legislation out of concern that withholding the funds would cause a significant financial crisis for the city.

Over the past two decades several lawsuits have been filed concerning the provision of an adequate education for city children and special education services. In 1984 the Maryland Disability

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Law Center filed suit in federal court against the city on behalf of disabled students. In September 1995 Baltimore City sued the state claiming that the lack of resources from the state denied Baltimore City students an equal education. To counter this charge the Maryland State Board of Education filed a third party complaint against Baltimore City alleging that any inadequacies in BCPS stemmed from local mismanagement. In November 1996 the three lawsuits were combined and settled out of court. City and state officials agreed to $254 million in new state aid to the city and to restructure the management of the Baltimore City Public Schools.

Overview of Baltimore City Public Schools

Article VIII, Section 1, of the Maryland Constitution requires the General Assembly to "establish throughout the state a thorough and efficient System of Free Public Schools." Pursuant to this authority, the General Assembly established through state law a two-tiered system governed by a state board of education and 24 local boards of education. Currently, 11 jurisdictions have school boards whose members are appointed by the Governor and 12 jurisdictions elect their school boards.

Under state law the Mayor and City Council of Baltimore are granted the authority to establish and maintain a system of free public schools, as provided in the Baltimore City charter. The Board of School Commissioners, appointed by the Mayor, consists of nine members who serve staggered terms of six years. The Board has the authority to appoint all principals, teachers, and other certified personnel and set salaries. In Baltimore City the Superintendent of Public Instruction is the executive officer and secretary of the Board of School Commissioners.

In the 1994-95 school year all Baltimore City public schools became self-governing. The Office of Enterprise Schools Support Services was formed to assist schools to make many financial and instructional decisions previously determined at the central office level. The creation of "a network of Enterprise Schools" was designed as a strategy to improve the environment for education by transferring significant decision-making authority from central offices to individual schools. The concept of site-based management provides principals, teachers, students, and parents greater control over the education process by granting schools new areas of authority, including fiscal resources management, program design and delivery, and physical plant maintenance.

The Baltimore City Public School System is the third largest school system in Maryland, with close to 110,000 students and 180 schools. Seventy percent all Baltimore City public school children receive free or reduced priced meals, and more than 20 percent of city public school children receive Title I services. In school year 1996-97 Baltimore City received $39.6 million in Title I funds, the federal program to assist the most economically and educationally disadvantaged, based on the number of children receiving free and reduced priced meals.

Title I Allocations
School Year 1996-97

Local School System	Total Title I Grant
Allegany	$2,733,669
Anne Arundel	$3,508,606
Baltimore City	$39,650,769
Baltimore	$7,025,275
Calvert	$616,858
Caroline	$566,939
Carroll	$763,051
Cecil	$1,023,343
Charles	$1,115,383
Dorchester	$912,317
Frederick	$1,328,207
Garrett	$1,049,130
Harford	$1,918,324
Howard	$1,052,760
Kent	$298,623
Montgomery	$5,401,079
Prince George's	$7,694,316
Queen Anne's	$417,182
St. Mary's	$1,269,373
Somerset	$570,640
Talbot	$419,856
Washington	$2,037,773
Wicomico	$1,682,098
Worcester	$652,515
State Totals	$84,269,188

Source: Maryland State Department of Education, Compensatory Education Branch

Per Pupil Expenditures
School Year 1995-96

Local School System	Wealth Per Pupil	Per Pupil Expenditure
Allegany	$140,733	$5,623
Anne Arundel	$261,993	$6,452
Baltimore City	$120,889	$5,873
Baltimore	$265,872	$6,337
Calvert	$235,308	$5,872
Caroline	$127,186	$5,262
Carroll	$194,660	$5,795
Cecil	$172,633	$5,688
Charles	$192,364	$5,983
Dorchester	$165,027	$6,059
Frederick	$199,710	$5,767
Garrett	$162,285	$5,711
Harford	$181,884	$5,697
Howard	$279,331	$6,793
Kent	$259,751	$6,689
Montgomery	$381,398	$7,697
Prince George's	$207,433	$6,272
Queen Anne's	$244,513	$6,096
St. Mary's	$183,922	$6,235
Somerset	$123,968	$5,957
Talbot	$388,210	$5,879
Washington	$171,476	$5,723
Wicomico	$156,654	$5,542
Worcester	$429,708	$6,304
State Average	$232,924	$6,337

Source: Maryland School Performance Report, 1996

Public School Financing

In Maryland, elementary and secondary schools are financed primarily by state and county government revenues. State aid for elementary and secondary education mostly comes from general sales, personal income, and corporate taxes. County government financial support for education is funded mainly through property and local income taxes. Most federal aid is provided through the Elementary and Secondary Education Act (ESEA) to supplement state and local funds with an emphasis on helping students with the greatest needs. In fiscal year 1995 state aid accounted for 39 percent of local schools' budgets; local governments contributed 56 percent and the federal government and other sources provided 5 percent.

State support to local education agencies is distributed inversely to wealth. Less wealthy counties, as measured by assessable base and taxable income, receive more aid per student than wealthier counties. Baltimore City has the lowest wealth per pupil in Maryland. In school year 1995-96 Baltimore City's wealth per pupil was determined to be $120,889 compared to the state average of $232,924. The city received $2,612 per pupil for current expenses compared to the state average of $1,797. Currently, Baltimore City receives $430 million a year in state aid, about two-thirds of its $653 million annual school budget, plus $8.7 million in construction funds.

The basic current expense formula, the major state aid program for primary and secondary education, provides a minimum per pupil funding level. In fiscal year 1996 the minimum per pupil foundation was $3,323 per student. In school year 1995-96 the per pupil expenditure in Baltimore City was $5,873. Statewide, the average per pupil expenditure was $6,337. According to the Maryland State Department of Education, ten school systems in Maryland had lower costs per pupil than Baltimore City.

City-State Management Agreement

On November 12, 1996, following extensive negotiations mediated by district and federal judges the State Board of Education, the American Civil Liberties Union, and the Maryland Disability Law Center reached a tentative agreement to settle three combined court cases. The courts granted a continuance of the joint trials until December 2 to allow the parties to finalize written agreements. The parties finalized and signed the agreements on November 26. The written agreements include a commitment to provide substantial additional state funding for the city schools through the year 2002. The agreements combine this funding with management and educational reforms and include decrees entered by the state and federal courts.

Over the next five fiscal years, the agreement would provide approximately $254 million in additional state aid to Baltimore City schools. Subject to appropriation by the General Assembly, the state will provide to the Baltimore City Public Schools an additional $30 million in fiscal year 1998, $50 million each fiscal years 1999 and 2000, and at least $50 million each in fiscal years 2001 and 2002. A proportion of this money will be dedicated to increasing student achievement. If the additional funds are not appropriated in any of the designated fiscal years, the entire decree will

become null and void as of the end of the last fiscal year for which the additional funds were appropriated. In each of the fiscal years 1998-2002, the state will also provide at least $10 million to BCPS through the Maryland School Construction Program. These funds will be made available in the proportion of 90 percent state funds to 10 percent Baltimore City funds. The state must provide the funds before the city is required to provide its share.

Under the terms of the agreement, a new Board of School Commissioners composed of city residents will be selected jointly by the Mayor of Baltimore and the Governor from a list of names submitted by the State Board of Education. The new School Commissioners will select a Chief Executive Officer, who will select a management team including a Chief Academic Officer and a Chief Financial Officer. The agreement seeks to create a strong link between student performance and management evaluation. The new Board of School Commissioners and its management team are responsible for implementing a master plan for improving the city schools. An independent consultant will evaluate progress toward those goals in the Spring of 2000 and again in late 2001. The agreement continues existing federal orders designed to protect the rights of Baltimore City school children receiving special education services. The federal orders will be modified to integrate special education services into the new management structure of the school system.

Academic Bankruptcy

In Baltimore City the dropout rate for grades 9-12 in school year 1995-96 was 13.78 percent compared to the statewide average of 4.58 percent. The satisfactory standard was not achieved on seven of the eight subject areas of Maryland Functional Tests administered to ninth and eleventh grade students. More than 20 percent of Baltimore City's 180 schools are below state standards and declining further as measured by student performance on the Maryland School Performance Assessment Program (MSPAP). Currently, 40 schools in Baltimore City are eligible for state reconstitution.

The regulations adopted by the State Board of Education define school reconstitution as changing one or more of a school's administration, staff, organization, or instructional program. The State Board has the statutory authority to establish standards for public schools, including the authority to close schools that are not performing adequately. Reconstitution is a less drastic intervention than closing a school and will only occur when a school is failing to educate its students.

According to the Education Commission of the States, 20 states have laws or provisions addressing "academic bankruptcy" that permit varying degrees of state intervention in local school district affairs. In some states the law allows for a state takeover of a school district if its problems are not corrected. Not all states have the authority to unseat local boards or to takeover a school district. Most states have regulations with numerous levels of intervention, including extra financial assistance. Districts usually have several years to free themselves of state sanction.

Baltimore City Maryland Functional Tests Results
School Year 1995-96

Test	Percent Passing 1995	Excellent Standard	Satisfactory Standard	Satisfactory Standard Achieved	Standards Not Met
Grade 9 - Reading	90.5	97	95		✓
Grade 9 - Mathematics	43.7	90	80		✓
Grade 9 - Writing	59.4	96	90		✓
Grade 9 - Citizenship	73.1	92	85		✓
Grade 11 - Reading	98.1	99	97	✓	
Grade 11 - Mathematics	84.6	99	97		✓
Grade 11 - Writing	92.6	99	97		✓
Grade 11 - Citizenship	86.4	99	97		✓
Passed All Tests	75.9	96	90		✓

Source: Maryland School Performance Report, 1996

In 1987 New Jersey was one of the first states to pass legislation that provided for the state takeover of failing local school systems. Thus far, three school districts in New Jersey have been managed by state appointed advisory boards. On October 4, 1989, following lengthy administrative and judicial involvement, the State of New Jersey assumed the operation of the Jersey City Public Schools. The incumbent Board of Education, Superintendent, and key staff were removed. A State District Superintendent was appointed and the restructuring of public education in Jersey City commenced.

The first evaluation of the takeover of the Jersey City Public Schools showed that the state intervention was effective. State operation of the Jersey City Public Schools had remedied or substantially improved the major deficiencies identified in the Corrective Action Plan approved by the New Jersey Department of Education in September 1990. Accountability was increased by creating a clear chain of command through the organization of cluster schools of elementary and high schools whose principals report to one of three associate superintendents. The central office also instituted a number of actions to tighten control over the receipt and use of District funds,

including prudent budget processing, sound business office practices, standard operating procedures, and systems of accountability. At the school level, curricula were revised. However, student achievement, as measured by standardized testing, only showed modest improvement. State management of the Jersey City Public Schools ceased in September 1995.

In 1988 the Illinois General Assembly passed the Chicago School Reform Act to fundamentally change the structure of the city's public schools. The Chicago School Reform Act consisted of three major components: a set of goals, a requirement to reallocate the resources of the system towards the school level, and system of school-based management centered upon the establishment of a local school council. The primary goals of the Act were to raise student achievement to national norms and to raise attendance and graduation rates to national norms. The Act also required administrative costs to be capped and state Chapter I funds could no longer be used for purposes outside of local schools.

During the first years of the reform plan's implementation, its basic elements were successfully put in place. Local school councils were established at every school, school improvement plans were designed, and lump sum budgets fashioned. In 1991 the Illinois General Assembly passed legislation to maintain the reform effort in Chicago. The new Act validated all past actions of the Chicago board of education and local school councils. It also provided that the mayor of Chicago appoint all members of the local school councils and the board of education to their posts until new elections could be held. While the Act has effectively restructured the Chicago public schools, significant impact on student achievement has not been realized.

Summary

In June 1992 the firm of Towers Perrin/Cresap released its management study of Baltimore City Public School and offered numerous recommendations to restructure the school system. The Maryland General Assembly wishing to support the efforts of the BCPS to implement the Cresap recommendations directed the Maryland State Department of Education (MSDE) to monitor the progress of implementation. In 1993 BCPS and MSDE entered into a three-year agreement for monitoring and evaluating the implementation of the recommendations. By January 1995 the independent consulting firm, MGT of America, Inc. found that BCPS had not fully implemented most of the Cresap recommendations.

A number of lawsuits have been filed concerning the provision of an adequate education for Baltimore City school children. In September 1995 Baltimore City sued the State Superintendent of Schools and other state officials claiming that the state had failed in its duties to provide a thorough and efficient education for children as required under the Maryland Constitution. The state claimed that any inadequacies resulted from poor management by the BCPS.

After months of extensive negotiations, the Maryland State Department of Education, the Baltimore City Public Schools and other parties in the litigation reached an agreement which infuses additional funds into the city schools while giving the state more control in running the school system. If the General Assembly fails to approve the funding by May 1997, the agreement will be

voided and the city and state must go to trial. If the General Assembly revises or modifies the partnership legislation after the 1997 session and before the expiration of the decree, all parties may challenge the changes.

January 1997

This research note was prepared by Crystal L. Banks in the Research Division, Department of Legislative Reference. Further questions or comments may be directed to the author at (410) 841-3785.